

**EIGHTY-FOURTH GENERAL ASSEMBLY
2012 REGULAR SESSION
DAILY
HOUSE CLIP SHEET**

MARCH 7, 2012

HOUSE FILE 2319

H-8120

1 Amend House File 2319 as follows:
2 1. Page 1, before line 1 by inserting:
3 <Section 1. Section 39.3, subsection 7, Code 2011,
4 is amended to read as follows:
5 7. "General election" means the biennial election
6 for national or state officers, members of Congress and
7 of the general assembly, county and township officers,
8 and for the choice of other officers or the decision
9 of questions as provided by law and shall include a
10 regular city election described in section 376.1 to
11 fill a vacancy in an elective city office pursuant to
12 section 372.13, subsection 2.>
13 2. Page 11, after line 27 by inserting:
14 <Sec. _____. Section 372.13, subsection 2, paragraph
15 a, Code 2011, is amended to read as follows:
16 a. (1) By appointment by the remaining members
17 of the council, except that if the remaining members
18 do not constitute a quorum of the full membership,
19 paragraph "b" shall be followed. The appointment shall
20 be made within forty days after the vacancy occurs
21 and shall be for the period until the next ~~pending~~
22 ~~election as defined in section 69.12, and shall be made~~
23 ~~within forty days after the vacancy occurs~~ regular city
24 election described in section 376.1, unless there is
25 an intervening special election to fill a vacancy in
26 another elective city office in that city, in which
27 event the election for the office shall be placed on
28 the ballot at such special election.
29 (2) If the council chooses to proceed under this
30 paragraph, it shall publish notice in the manner
31 prescribed by section 362.3, stating that the council
32 intends to fill the vacancy by appointment but that
33 the electors of the city or ward, as the case may
34 be, have the right to file a petition requiring that
35 the vacancy be filled by a special election. The
36 council may publish notice in advance if an elected
37 official submits a resignation to take effect at a
38 future date. The council may make an appointment to
39 fill the vacancy after the notice is published or after
40 the vacancy occurs, whichever is later. However, if
41 within fourteen days after publication of the notice
42 or within fourteen days after the appointment is made,
43 there is filed with the city clerk a petition which
44 requests a special election to fill the vacancy, an
45 appointment to fill the vacancy is temporary and the
46 council shall call a special election to fill the
47 vacancy permanently, under paragraph "b". The number
48 of signatures of eligible electors of a city for a
49 valid petition shall be determined as follows:
50 ~~-(1)~~ (a) For a city with a population of ten thousand

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1 or less, at least two hundred signatures or at least
2 the number of signatures equal to fifteen percent of
3 the voters who voted for candidates for the office at
4 the preceding regular election at which the office was
5 on the ballot, whichever number is fewer.

6 ~~—(2)~~ (b) For a city with a population of more than
7 ten thousand but not more than fifty thousand, at least
8 one thousand signatures or at least the number of
9 signatures equal to fifteen percent of the voters who
10 voted for candidates for the office at the preceding
11 regular election at which the office was on the ballot,
12 whichever number is fewer.

13 ~~—(3)~~ (c) For a city with a population of more than
14 fifty thousand, at least two thousand signatures or at
15 least the number of signatures equal to ten percent of
16 the voters who voted for candidates for the office at
17 the preceding regular election at which the office was
18 on the ballot, whichever number is fewer.

19 ~~—(4)~~ (d) The minimum number of signatures for a valid
20 petition pursuant to ~~subparagraphs (1) subparagraph~~
21 divisions (a) through (3) ~~(d)~~ shall not be fewer than
22 ten. In determining the minimum number of signatures
23 required, if at the last preceding election more than
24 one position was to be filled for the office in which
25 the vacancy exists, the number of voters who voted
26 for candidates for the office shall be determined by
27 dividing the total number of votes cast for the office
28 by the number of seats to be filled.>

29 3. Title page, line 4, by striking <special>

30 4. By renumbering as necessary.

By SCHULTE of Linn

HOUSE FILE 2322

H-8114

1 Amend House File 2322 as follows:
2 1. Page 2, line 33, after <submit the> by inserting
3 <plan to the board of supervisors for the county who
4 shall approve or reject the plan as expeditiously
5 as possible. The board of supervisors shall notify
6 the state commissioner of the action taken and, if
7 the plan is rejected, provide the state commissioner
8 written reasons for the rejection of the plan. If
9 the plan is rejected, the state commissioner shall
10 direct the legislative services agency to prepare a
11 second supervisor districting plan for the county.
12 The legislative services agency shall draw the plan
13 in accordance with the standards for a supervisor
14 districting plan as described in this subparagraph
15 and, insofar as it is possible to do so within the
16 requirements for a supervisor districting plan, in
17 accordance with the reasons cited by the board of
18 supervisors by resolution for the rejection of the
19 first plan. The legislative services agency shall
20 submit the second>

By BALTIMORE of Boone

H-8114 FILED MARCH 6, 2012

HOUSE FILE 2345

H-8112

1 Amend House File 2345 as follows:
2 1. Page 1, before line 1 by inserting:
3 <Section 1. Section 598.1, Code 2011, is amended by
4 adding the following new subsection:
5 NEW SUBSECTION. 2A. "Educational setting" means
6 a public school, an accredited nonpublic school,
7 competent private instruction in accordance with the
8 provisions of chapter 299A, or any other method of
9 educational instruction that satisfies the compulsory
10 education requirements of chapter 299.
11 Sec. _____. Section 598.10, subsection 1, Code 2011,
12 is amended by adding the following new paragraph:
13 NEW PARAGRAPH. c. If the parents are in
14 disagreement over a minor child's educational setting,
15 the court shall consider the educational setting
16 of the minor child in making a temporary order for
17 custody. There is a rebuttable presumption that it is
18 in the best interest of the minor child to remain in
19 the educational setting in which the minor child was
20 enrolled during the immediately preceding school year.>
21 2. Page 1, after line 6 by inserting:
22 <Sec. _____. Section 598.41, Code 2011, is amended by
23 adding the following new subsections:
24 NEW SUBSECTION. 4A. If the court awards joint
25 legal custody to the parents, but the parents are in
26 disagreement over a minor child's educational setting,
27 the court shall consider, and include a provision in
28 the custody order regarding, the educational setting
29 of the minor child. There is a rebuttable presumption
30 that it is in the best interest of the minor child to
31 remain in the educational setting in which the minor
32 child was enrolled during the immediately preceding
33 school year.
34 NEW SUBSECTION. 10. All orders relating to
35 custody of a child shall specify the rights and
36 responsibilities of each parent relative to the minor
37 child's educational setting. The order shall, at a
38 minimum, specify a parent's rights and responsibilities
39 regarding physical access to the child during the
40 school day; access to records involving the health,
41 education, and welfare of the child; decision-making
42 authority including instances when parental consent
43 or authorization is required; and the removal of the
44 child from the premises of the educational setting
45 during school hours. Any parent with legal custody
46 of the child shall provide a copy of the order to the
47 educational setting and to the school district of the
48 child to whom the order applies.>
49 3. Title page, lines 1 and 2, by striking <a
50 determination of the best interest of the child in>

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1 4. By renumbering as necessary.

By HAGENOW of Polk

H-8112 FILED MARCH 6, 2012

HOUSE FILE 2379

H-8125

1 Amend House File 2379 as follows:

2 1. Page 1, by striking lines 1 through 33.

3 2. Page 2, by striking lines 14 through 20 and
4 inserting <deferred judgment shall be expunged. The
5 record maintained by the state court administrator
6 as required by section 907.4 shall not be expunged.

7 However, the court's>

8 3. Page 2, line 22, by striking <fines,>

By ALONS of Sioux

R. OLSON of Polk

H-8125 FILED MARCH 6, 2012

HOUSE FILE 2383

H-8116

1 Amend the amendment, H-8107, to House File 2383 as
2 follows:

3 1. Page 1, line 29, by striking <a> and inserting
4 <a an accredited>

5 2. Page 1, line 39, by striking <(1),> and
6 inserting <—(1), (1); soliciting, encouraging, or
7 consummating a romantic or otherwise inappropriate
8 relationship with a student; falsifying student grades,
9 test scores, or other official information or material;
10 or converting public property or funds to the personal
11 use of the school employee,>

By KOESTER of Polk

H-8116 FILED MARCH 6, 2012

HOUSE FILE 2384

H-8124

1 Amend House File 2384 as follows:

2 1. Page 1, by striking lines 3 through 12 and
3 inserting:

4 <7. a. The costs of special education
5 instructional programs include the costs of purchase of
6 transportation equipment to meet the special needs of
7 children requiring special education with the approval
8 of the director of the department of education.

9 b. The department of education administers the
10 costs of special education instructional programs
11 when contracted with a private agency that provides
12 residential treatment services including the costs of
13 general administration, health service, attendance
14 officers, plant operation, and plant maintenance,
15 regular and special instructional costs, overhead
16 costs, and the costs of purchase of equipment,
17 transportation, and insurance to meet the special needs
18 of children requiring special education.

19 c. The state board of education shall adopt rules
20 under chapter 17A ~~for the purchase of transportation~~
21 ~~equipment pursuant to administer~~ this section.

22 Sec. _____. SPECIAL EDUCATION COSTS -- LEGISLATIVE
23 STUDY. The legislative council is requested to
24 establish an interim study committee during the 2012
25 interim to examine the payment of special education
26 costs associated with student services provided in
27 residential treatment facilities and whether the
28 planning for and costs of such services would be
29 more appropriately administered by the department of
30 education or the department of human services.

31 Sec. _____. EFFECTIVE UPON ENACTMENT. This Act,
32 being deemed of immediate importance, takes effect upon
33 enactment.

34 Sec. _____. RETROACTIVE APPLICABILITY. This Act
35 applies retroactively to July 1, 2011.>

36 2. Title page, line 2, after <education> by
37 inserting <and including effective date and retroactive
38 applicability provisions>

By MURPHY of Dubuque
J. TAYLOR of Woodbury
STECKMAN of Cerro Gordo
BYRNES of Mitchell

H-8124 FILED MARCH 6, 2012

HOUSE FILE 2394

H-8115

- 1 Amend House File 2394 as follows:
- 2 1. Page 1, after line 9 by inserting:
- 3 <Sec. _____. Section 357A.11, subsection 5, Code
- 4 2011, is amended to read as follows:
- 5 5. Have authority to acquire by gift, lease,
- 6 purchase, or grant any property, real or personal,
- 7 in fee or a lesser interest needed to achieve the
- 8 purposes for which the district was incorporated,
- 9 to acquire easements for water lines and reservoirs
- 10 ~~by condemnation proceedings~~, and to sell and convey
- 11 property owned, but no longer needed, by the district.
- 12 ~~Condemnation proceedings shall not apply to existing~~
- 13 ~~wells, ponds or reservoirs.~~ A district shall not
- 14 have authority to acquire any interest in property by
- 15 eminent domain.>
- 16 2. Title page, line 1, after <annual meeting
- 17 requirements> by inserting <and board duties>
- 18 3. By renumbering as necessary.

By KAUFMANN of Cedar

H-8115 FILED MARCH 6, 2012

HOUSE FILE 2394

H-8118

- 1 Amend House File 2394 as follows:
- 2 1. Page 1, line 4, by striking <of> and inserting
- 3 <by July 31 of>
- 4 2. Title page, line 1, by striking <annual>

By BALTIMORE of Boone

H-8118 FILED MARCH 6, 2012

HOUSE FILE 2423

H-8109

- 1 Amend House File 2423 as follows:
- 2 1. Page 3, line 14, by striking <2011> and
- 3 inserting <2012>
- 4 2. By renumbering as necessary.

By TJEPKES of Webster

H-8109 FILED MARCH 6, 2012

HOUSE FILE 2426

H-8117

1 Amend House File 2426 as follows:
2 1. Page 22, by striking lines 23 through 32.
3 2. Page 57, by striking lines 22 through 27.
4 3. Page 57, by striking lines 32 through 35 and
5 inserting:
6 <Sec. _____. Section 490.140, Code Supplement 2011,
7 is amended by adding the following new subsection:
8 NEW SUBSECTION. 21B. "Public corporation" means a
9 corporation that has>
10 4. Page 58, after line 14 by inserting:
11 <Sec. _____. Section 490.805, subsection 2, Code
12 Supplement 2011, is amended by striking the subsection
13 and inserting in lieu thereof the following:
14 2. The terms of all other directors expire at the
15 next, or if their terms are staggered in accordance
16 with section 490.806, at the applicable second or
17 third, annual shareholders' meeting following their
18 election, except to the extent a shorter term is
19 specified in the articles of incorporation in the event
20 of a director nominee failing to receive a specified
21 vote for the election.>
22 5. Page 58, after line 17 by inserting:
23 <DIVISION _____
24 EFFECT OF THIS ACT ON PRIOR ACT
25 Sec. _____. EFFECT OF THIS ACT ON PRIOR ACT.
26 1. Nothing in this Act shall be construed to affect
27 any provision enacted in 2011 Iowa Acts, chapter 2,
28 sections 1 through 8, prior to the repeal of those
29 provisions as provided in 2011 Iowa Acts, chapter 2,
30 section 9, subsection 1.
31 2. Nothing in this Act shall be construed to affect
32 2011 Iowa Acts, chapter 2, section 9.>
33 6. By renumbering as necessary.

By ANDERSON of Page

H-8117 FILED MARCH 6, 2012

HOUSE FILE 2427

H-8123

1 Amend House File 2427 as follows:
2 1. Page 1, after line 7 by inserting:
3 <Sec. _____. Section 99B.10B, subsection 1, Code
4 2011, is amended to read as follows:
5 1. a. The department may deny, suspend, or revoke
6 a registration issued pursuant to section 99B.10 or
7 99B.10A, if the department finds that an applicant,
8 registrant, or an agent of a registrant violated
9 or permitted a violation of a provision of section
10 99B.10, 99B.10A, or 99B.10C, or a departmental rule
11 adopted pursuant to chapter 17A, or for any other
12 cause for which the director of the department would
13 be or would have been justified in refusing to issue
14 a registration, or upon the conviction of a person of
15 a violation of this chapter or a rule adopted under
16 this chapter which occurred on the premises where the
17 registered amusement device is or is to be located.
18 However, the denial, suspension, or revocation of
19 a registration for one amusement device does not
20 require, but may result in, the denial, suspension,
21 or revocation of the registration for a different
22 amusement device held by the same distributor or owner.
23 b. However, a person who commits an offense of
24 failing to include a security mechanism on an amusement
25 device as required pursuant to section 99B.10,
26 subsection 1, paragraph "m", shall be issued a warning
27 letter by the department. A person who commits, within
28 two years, a second offense of failing to include a
29 security mechanism on an amusement device shall be
30 subject to the provisions of paragraph "a".>
31 2. Title page, line 3, after <use of> by inserting
32 <, or for failing to include a security mechanism on,>
33 3. By renumbering as necessary.

By T. TAYLOR of Linn

H-8123 FILED MARCH 6, 2012

HOUSE FILE 2435

H-8110

1 Amend House File 2435 as follows:
2 1. Page 15, after line 19 by inserting:
3 <Sec. _____. 2011 Iowa Acts, chapter 129, section
4 114, is amended by adding the following new subsection:
5 NEW SUBSECTION. 10. VISION SCREENING. For
6 continuation of a grant to a nationally affiliated
7 volunteer eye organization that has an established
8 program for children and adults and that is solely
9 dedicated to preserving sight and preventing blindness
10 through education, nationally certified vision
11 screening and training, and community and patient
12 service programs:
13 \$ 100,000>
14 2. By renumbering as necessary.

By HUNTER of Polk

H-8110 FILED MARCH 6, 2012

HOUSE FILE 2435

H-8111

1 Amend House File 2435 as follows:
2 1. Page 8, line 13, by striking <3,305,620> and
3 inserting <3,405,620>
4 2. Page 9, after line 24 by inserting:
5 <_____. Of the funds appropriated in this subsection,
6 \$100,000 shall be used for the purposes of the
7 continuation of the epilepsy treatment and education
8 task force as specified in 2011 Iowa Acts, chapter 60.>
9 3. By renumbering as necessary.

By KRESSIG of Black Hawk

H-8111 FILED MARCH 6, 2012

SENATE FILE 479

H-8122

1 Amend Senate File 479, as passed by the Senate, as
2 follows:
3 1. Page 1, line 1, after <Code> by inserting
4 <Supplement>
5 2. Page 1, by striking lines 13 through 25 and
6 inserting <the family felidae classified as a bengal
7 with an ancestor classified as an Asian leopard
8 cat which is a member of the species prionailurus
9 bengalensis. The bengal must be the fourth or later
10 filial generation of offspring with the first filial
11 generation being the offspring of a domestic cat and an
12 Asian leopard cat, and each subsequent generation being
13 the offspring of a domestic cat.>
14 3. Title page, line 2, by striking <and savannahs>
15 4. By renumbering as necessary.

COMMITTEE ON NATURAL RESOURCES
RAYHONS of Hancock, Chairperson

H-8122 FILED MARCH 6, 2012

SENATE FILE 479

H-8126

1 Amend Senate File 479, as passed by the Senate, as
2 follows:
3 1. Page 1, before line 1 by inserting:
4 <Section 1. NEW SECTION. 484B.13A Hunting boars.
5 1. As used in this section, "hunting boar" means
6 swine that is all of the following:
7 a. A member of the species *sus scrofa linnaeus*,
8 including but not limited to swine commonly known as
9 Russian boar or European boar of either sex.
10 b. Classified as a dangerous wild animal pursuant
11 to chapter 717F.
12 2. Notwithstanding anything in this chapter to the
13 contrary, a person may obtain and retain a license to
14 operate a hunting preserve which confines a hunting
15 boar in the same manner as the person would obtain
16 and retain a license to maintain an ungulate under
17 this chapter. Except as provided in subsection 3, the
18 requirements in this chapter applicable to ungulates
19 shall apply to hunting boars.
20 3. In addition to the requirements provided in
21 subsection 2, a person shall not obtain or retain a
22 hunting preserve license to confine a hunting boar
23 under this chapter unless all of the following apply:
24 a. Since July 1, 2007, the person must have
25 confined a hunting boar on a contiguous tract of
26 land having an area of not less than three hundred
27 twenty acres that is or has been licensed as a hunting
28 preserve under this chapter.
29 b. A hunting boar must be confined by a fence
30 that is constructed at least three feet below the
31 ground level and at least six feet above ground level.
32 The fence must be constructed in a manner and using
33 materials approved by the department.
34 c. The department shall provide for special tags
35 to identify boars in the same manner as provided for
36 ungulates in section 484B.9.
37 d. In addition to the health requirements for
38 ungulates provided in section 484B.12, a hunting boar
39 shall be subject to all statutes and rules applicable
40 to the health of other swine, as provided in Title
41 V, subtitle 2, including the prevention, control,
42 and eradication of diseases afflicting swine. Each
43 twelve-month period, the person licensed to operate the
44 hunting preserve shall submit a health report to the
45 department of natural resources and the department of
46 agriculture and land stewardship stating whether any
47 hunting boar has contracted an infectious or contagious
48 disease as defined in section 163.2. In addition, the
49 report must declare that the population is a validated
50 brucellosis-free herd as provided in chapter 163A and

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1 a noninfected herd because all breeding swine have
2 reacted negatively for pseudorabies as provided in
3 chapter 166D.
4 e. A live hunting boar must not be removed from the
5 premises of the hunting preserve.
6 f. The hunting boar population must not propagate
7 except by the ovum and sperm of the confined boars.
8 g. The person shall notify the department of
9 natural resources within twenty-four hours of
10 discovering that a live hunting boar is no longer
11 confined.>
12 2. Page 1, after line 25 by inserting:
13 <Sec. _____. Section 717F.7, Code 2011, is amended by
14 adding the following new subsection:
15 NEW SUBSECTION. 21. Swine which is a member of the
16 species *sus scrofa linnaeus*, including but not limited
17 to swine commonly known as Russian boar or European
18 boar of either sex, if such swine is confined within a
19 hunting preserve licensed by the department of natural
20 resources as provided in section 484B.13A.>
21 3. Title page, line 1, before <cats> by inserting
22 <, and penalties relating to, dangerous wild animals,
23 including swine classified as *sus scrofa linnaeus* and>
By HORBACH of Tama

H-8126 FILED MARCH 6, 2012

SENATE FILE 2146

H-8119

1 Amend Senate File 2146, as passed by the Senate, as
2 follows:
3 1. Page 1, after line 9 by inserting:
4 <Sec. _____. Section 357A.11, subsection 5, Code
5 2011, is amended to read as follows:
6 5. Have authority to acquire by gift, lease,
7 purchase, or grant any property, real or personal,
8 in fee or a lesser interest needed to achieve the
9 purposes for which the district was incorporated,
10 to acquire easements for water lines and reservoirs
11 ~~by condemnation proceedings~~, and to sell and convey
12 property owned, but no longer needed, by the district.
13 ~~Condemnation proceedings shall not apply to existing~~
14 ~~wells, ponds or reservoirs.~~ A district shall not
15 have authority to acquire any interest in property by
16 eminent domain.>
17 2. Title page, line 1, after <meeting requirements>
18 by inserting <and board duties>
19 3. By renumbering as necessary.

By KAUFMANN of Cedar

H-8119 FILED MARCH 6, 2012

SENATE FILE 2249

H-8121

1 Amend Senate File 2249, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. Page 1, after line 32 by inserting:

4 <Sec. _____. Section 322.5, subsection 2, paragraph
5 a, subparagraph (2), Code 2011, is amended to read as
6 follows:

7 (2) Display, offer for sale, and negotiate sales
8 of new motor vehicles at fair events, as defined in
9 chapter 174, vehicle shows, and vehicle exhibitions,
10 upon application for and receipt of a temporary permit
11 issued by the department. Such activities may only be
12 conducted at fair events, vehicle shows, and vehicle
13 exhibitions that are held in the ~~county of the~~ motor
14 vehicle dealer's ~~principal place of business~~ community,
15 as defined in section 322A.1, for the vehicles that
16 are displayed and offered for sale. A sale of a
17 motor vehicle by a motor vehicle dealer shall not be
18 completed and an agreement for the sale of a motor
19 vehicle shall not be signed at a fair event, vehicle
20 show, or vehicle exhibition. All such sales shall be
21 consummated at the motor vehicle dealer's principal
22 place of business.>

23 2. Title page, lines 1 and 2, by striking
24 <motorcycle dealer activities at> and inserting <motor
25 vehicle dealer activities at fair events, vehicle
26 shows, vehicle exhibitions, and>

27 3. By renumbering as necessary.

By IVERSON of Wright

H-8121 FILED MARCH 6, 2012

SENATE FILE 2283

H-8113

1 Amend Senate File 2283, as passed by the Senate, as
2 follows:

3 1. Page 2, after line 31 by inserting:

4 <Sec. _____. NEW SECTION. 481A.56A Retrieval of
5 wounded deer by leashed dogs.

6 A person having a valid hunting license and a
7 valid deer hunting license who has wounded a deer
8 while hunting may use a dog to locate and retrieve
9 the wounded animal. The hunter or any person in the
10 company of the hunter shall not possess a firearm or
11 bow while using a dog in this manner and shall have
12 the dog leashed and under control at all times during
13 the search. A person shall obtain permission from the
14 owner or tenant of private property before using a dog
15 to locate a wounded deer on the private property. The
16 commission shall adopt rules pursuant to chapter 17A
17 to implement this section.>

18 2. Page 6, after line 7 by inserting:

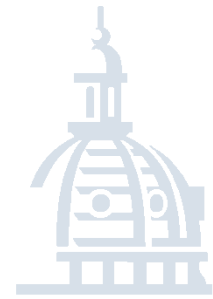
19 <Sec. _____. Section 805.8B, subsection 3, paragraph
20 c, Code 2011, is amended to read as follows:

21 c. For violations of sections 481A.6, 481A.21,
22 481A.22, 481A.26, 481A.50, 481A.56, 481A.56A, 481A.60
23 through 481A.62, 481A.83, 481A.84, 481A.92, 481A.123,
24 481A.145, subsection 3, sections 483A.7, 483A.8,
25 483A.23, 483A.24, and 483A.28, the scheduled fine is
26 twenty-five dollars.>

27 3. By renumbering as necessary.

By WILLEMS of Linn

H-8113 FILED MARCH 6, 2012



HF 2359 – Supplier Income Tax Exemption (LSB 5279HV)
Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version – New

Description

House File 2359 creates an income tax exemption for corporate income earned by S-Corporation and C-Corporation businesses that are, at least in part, suppliers to Iowa anchor manufacturers. The exclusion is equal to the Iowa apportioned income that is above the company's Iowa apportioned income in a base year. The base year calculation grows 5.0% per year with each additional year's exemption calculated from the base year income incremented by 5.0% per tax year. The exclusion is available for tax years beginning on or after January 1, 2012. The Economic Development Authority (EDA) may not issue new certificates after January 1, 2015.

In the Bill:

1. Certified Supplier means a business certified by the EDA. The EDA is required to certify all suppliers that:
 - Manufacture tangible personal property at one or more facilities in Iowa and derive more than 10.0% of gross sales of tangible personal property from one facility in Iowa through sales to one or more Iowa anchor manufacturers.
 - Provide a statement from one anchor manufacturer that the manufacturer meets the definition of an anchor manufacturer.
 - Have at least 10.0% of total payroll located in Iowa or the supplier employs at least 50 employees at a facility in Iowa.
2. Anchor Manufacturer is defined as a business that manufactures tangible personal property at a facility in Iowa and exports at least 50.0% of the tangible personal property produced at the anchor manufacturer's Iowa facility to markets outside of Iowa.

Each certified supplier will continue to benefit from the exclusion as long as the supplier has Iowa apportioned income in excess of the base year Iowa apportioned income, incremented by 5.0% each tax year. The Bill applies retroactively to tax years beginning on or after January 1, 2012. The EDA may not issue new certificates after January 1, 2015, so the Bill impacts only tax years 2012, 2013, and 2014.

Background

The net income of C-Corporations is taxed by Iowa at the business entity level, while S-Corporations are taxed through the individual income tax returns of the owners. The business structure for both entity types is defined through the federal Internal Revenue Code (IRC).

Many provisions of the Bill are difficult or impossible to estimate. The data necessary is not available. The Department of Revenue (DR) provided a fiscal impact estimate based on a portion of the universe of potential beneficiaries from this proposed tax change. Using the most recent three years of C-Corporation tax returns available, the DR provided an estimate based

on manufacturing C-Corporations with Iowa apportioned income growth sufficient to benefit from the proposal. The DR's estimate should be considered a maximum for the subset of companies, but the estimate does not include companies that are not categorized as manufacturers and it does not include S-Corporations.

The Bill has several broad definitions that make developing a reasonable estimate of the fiscal impact of the Bill problematic.

Manufacturing includes "combining of different materials" and "extracting and recovering natural resources." This definition could include biodiesel blending and production, ethanol blending and production, vehicle or heating fuel delivery, electricity production (including wind), and perhaps the delivery of natural gas.

An anchor manufacturer is defined as any business that exports at least 50.0% of what it produces at a facility in Iowa to out-of-state buyers.

- There is no requirement that an anchor manufacturer be of a specific employment or sales size. An anchor manufacturer could be a C-Corporation with 1,000 employees or it could be a sole proprietorship with one employee.
- There is no requirement that the tangible personal property purchased from a certified supplier be included by the anchor manufacturer as part of tangible personal property sold and exported out-of-state.

A qualifying supplier must supply at least 10.0% of the tangible personal property the supplier produces at an Iowa facility to an anchor manufacturer. This requirement also means that up to 90.0% of what that facility produces may be sold elsewhere in the State, and it means that anything else that qualified supplier produces at other facilities could be unrelated to supplying an anchor manufacturer. As long as the business meets the production requirements at one facility and also meets the employment thresholds, all Iowa-apportioned income growth that business experienced above the 5.0% growth requirement will be exempt from Iowa business income tax and this will be true even if the growth is not related to supplying an Iowa anchor manufacturer.

A certified supplier could also increase its Iowa-apportioned income simply by purchasing another Iowa-based supplier or by taking over the contracts of an existing Iowa supplier. Both of these situations would result in reduced General Fund revenue through the tax exemption, but would not result in any additional Iowa-based production.

Further adding to the uncertainty and potential cost of the proposal, is the fact that an anchor manufacturer could be a certified supplier to another anchor manufacturer.

Fiscal Impact

The DR calculates that the maximum impact of the Bill, for C-Corporations only, will result in a decrease of tax revenue to the state of \$44.5 million over the three tax years. The DR was unable to provide any type of dollar estimate for S-Corporations. The DR was able to provide statistics showing that the number of S-Corporation manufacturing firms in Iowa is approximately 63.0% of the number of C-Corporation manufacturing firms. Multiplying the DR's C-Corporation maximum estimate of \$44.5 million times 1.63, yields a three-year total of \$72.6 million.

The DR estimates that approximately 57.0% of identified C-Corporation and S-Corporation manufacturers meet at least one of the employment threshold requirements in the Bill. Applying 57.0% to the \$72.6 million yields \$41.2 million.

However, the above math assumes two things:

- All C-Corporations and S-Corporations categorized as manufacturers are certified suppliers to anchor manufacturers.
- Only businesses categorized as manufacturers will qualify as certified suppliers to anchor manufacturers.

In practical impact, neither number one nor two above will be true, but they will offset. Some percentage of Iowa manufacturers will not qualify as certified suppliers because they will not provide at least 10.0% of the tangible property they produce at a single facility to a qualified anchor manufacturer. But also, some businesses that are not categorized as manufacturers will in fact meet the 10.0% supplier threshold and their income subject to Iowa tax could be reduced.

The Bill applies only to tax years 2012, 2013, and 2014. After 2014, the EDA and the DR are required to consult with the Chairpersons of the Economic Growth and Rebuild Iowa Committees of the House and Senate.

The estimated reductions in General Fund revenue associated with the income tax exemption created in the Bill are:

- FY 2013 = \$ - 7.0 million
- FY 2014 = \$ -12.1 million
- FY 2015 = \$ -15.1 million
- FY 2016 = \$ - 7.1 million

In addition to decreasing State General Fund revenue, tax law changes that lower S-Corporation taxable income also reduces the amount of revenue raised by the local option income surtax for schools. Over the four impacted fiscal years, the reduction is projected to average \$125,000 per year.

Sources

Department of Revenue
Legislative Services Agency analysis

/s/ Holly M. Lyons

March 5, 2012

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Iowa Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
